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Canadian Industries Limited

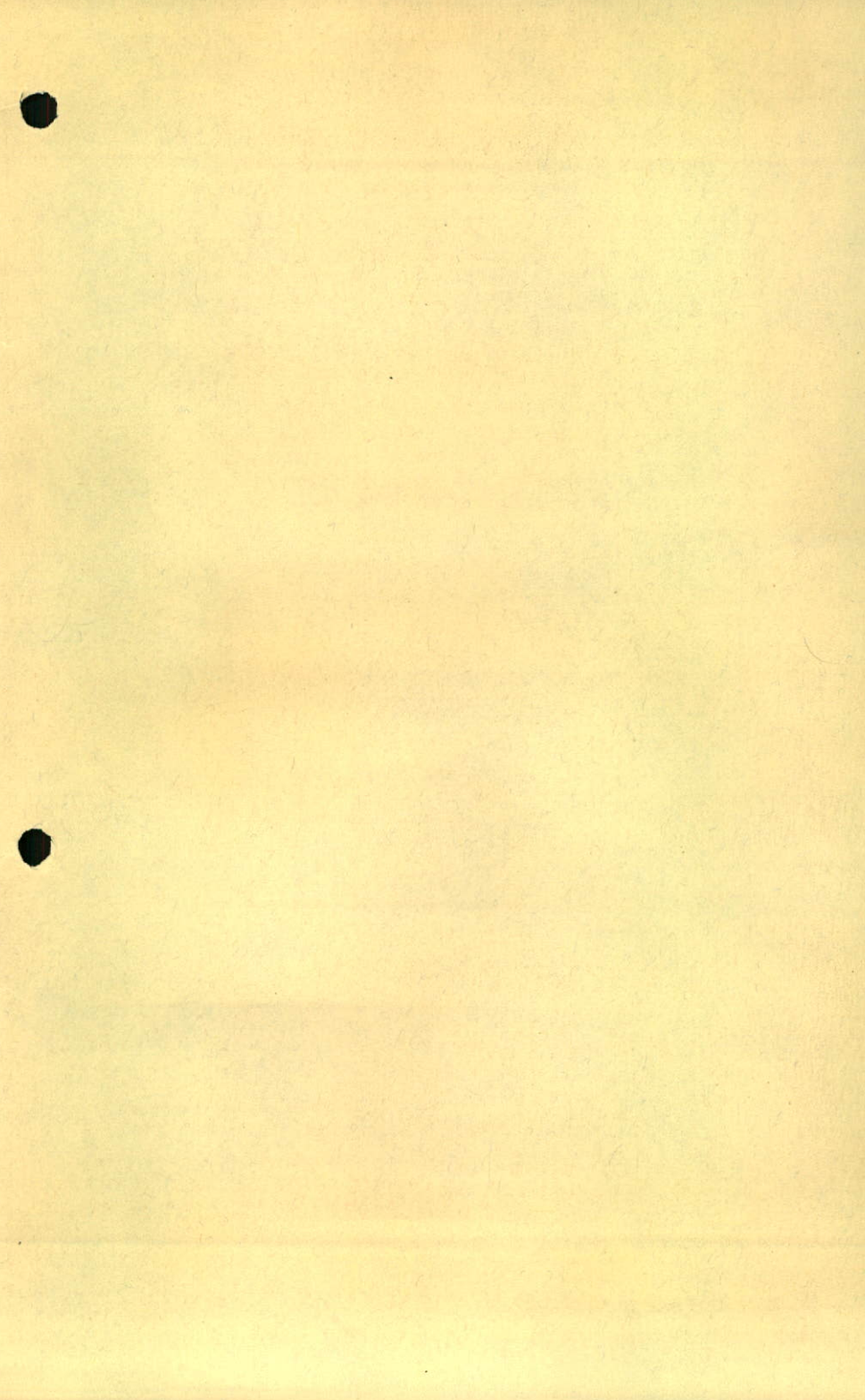


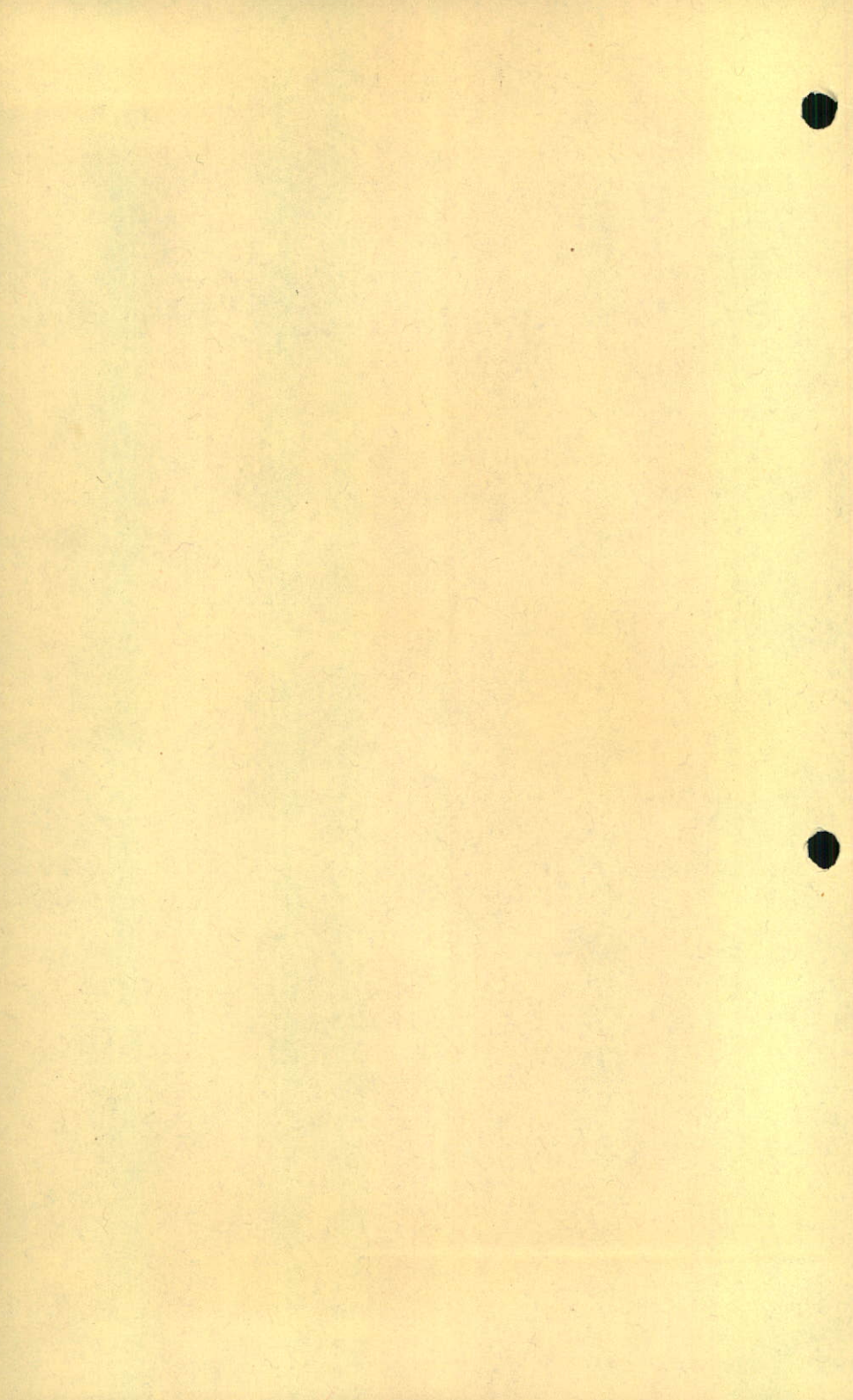
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MCGILL UNIVERSITY

Annual Statement
1928





BOARD OF DIRECTORS

1

WILLIAM McMASTER, *Chairman of the Board*

ARTHUR B. PURVIS, *Managing Director*

HON. C. C. BALLANTYNE

H. G. HASKELL

WINTHROP BRAINERD

SIR HARRY MCGOWAN, K.B.E.

J. THOMPSON BROWN

ROSS H. McMASTER

WILLIAM COYNE

H. J. MITCHELL

SIR CHARLES B. GORDON,
G.B.E.

LIEUT.-COL. HERBERT MOLSON,
C.M.G., M.C.

GEORGE W. WHITE

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OFFICERS

1

Chairman - - - - - WILLIAM McMASTER

President and Managing Director - - - ARTHUR B. PURVIS

Vice-President - - - - - WINTHROP BRAINERD

Treasurer - - - - - R. C. DOUGHERTY

Secretary - - - - - J. W. KELLUM

MONTREAL, CANADA,

February 14, 1929.

*To the Shareholders
of Canadian Industries Limited:*

The Directors have pleasure in submitting the Eighteenth Annual Report covering the 1928 operations of your Company, together with the consolidated balance sheet as of December 31st, 1928, and statement of consolidated income and surplus for the year, as certified by your Company's auditors, P. S. Ross & Sons.

Regular quarterly dividends at the rate of \$7 per share for the year were paid on the preferred stock, and dividends were declared on the no par value common stock amounting in total to \$4.50 per share.

Employees' welfare plans providing for pensions; death benefits; stock subscription privileges; and bonus participation in the financial results achieved, were continued during the year with good results.

Advantage was taken of opportunities which occurred during the year to acquire two blocks of preferred stock at a favorable price, which stock will be available for the purposes of the Company's welfare plans.

The following figures will perhaps be of interest as showing the percentage position of your Company's stockholding as at December 31st, 1928:

	PREFERRED*		COMMON	
	% of Total Shareholders	% of Total Stock	% of Total Shareholders	% of Total Stock
Canada and British Empire.....	87.84	83.40	90.18	54.17
Other Countries.....	12.16	13.59	9.82	45.83

During the year your Company continued to enjoy the great advantage of the technical knowledge and advice both of Imperial Chemical Industries Limited of Great Britain and of E. I. du Pont de Nemours & Company of the United States, and with the rapid growth in your Company's activities, opportunities of making reciprocal contributions are becoming more frequent.

The balance sheet as at December 31st, 1928, shows to advantage the excellent liquid position of your Company's finances, a partial explanation of which will be found in the remarks under the heading of "Investments".

OPERATING REVIEW

An 18% increase in the dollar value of sales for the year was obtained, with a consequent increase in net profits.

The following comments on the various divisions operated by your Company may be of interest:

Explosives and Accessories

The prosperity of the mining industry reacted favorably on the business enjoyed by this division and, assuming that

* Excludes 1398 Bearer Warrants representing 3.01% of total shares.

present prospects of mining growth in the Prairie Provinces show no alteration during the next six months, an explosives plant will be built in Manitoba the better to service customers in that area.

In a further effort to achieve in full measure the economies available from the merger, Canadian Giant Limited, which operated the Western end of the business, was liquidated during the year, and your explosives operations throughout Canada are now consolidated under one division. In line with the general policy additional selling price reductions were made.

Ammunition; Detonator Tubes, and Railway Accessories

More satisfactory results were achieved in this division during 1928, both as regards volume of sales and return on investment.

Particular attention should be called to the successful development of the new "Duco" waterproofed shot shell which has met with universal approval from the shooting public and which has enabled your Company to reap material advantages through the issuance to foreign manufacturers of licenses to use the process.

Fabrikoid; Tontine Window Shade Cloth, Etc

This division, though showing a material increase in sales value, met with increasingly competitive conditions involving a narrowing in the margin of profit per unit. During the year considerable progress was made in broadening the market outlets for Fabrikoid.

Duco; Paints and Varnishes

A substantial increase in volume of sales was again achieved by this division and prospects for continued rapid growth are good. This expansion has necessitated further plant extensions at Toronto and also the erection of a new plant at Regina. The manufacturing facilities of this division are now in excellent shape.

Pyralin

Very material progress was made during 1928 in building up the volume of business, this being the key-note to the solution of the difficulties of this division.

Fertilizers

During 1928, your Company extended to complete ownership its previous control of the Triangle Chemical Company, which manufactures super-phosphates, chamber acid, insecticides, etc., and serves the British Columbia market.

A careful study is now being made of the fertilizer situation in Eastern Canada.

NEW ACTIVITIES

In line with the overhead policy of your Company, namely, to effect a Canadian development in as many as possible of the lines which your associated companies, Imperial Chemical Industries of Great Britain and E. I. du Pont de Nemours & Company of United States, have successfully developed in the markets served by them, an entry was made into the heavy chemical business. This resulted in the acquisition of the following units:

Canadian Ammonia Company Limited

As at July 1st, 1928, this Company, which enjoys the bulk of the Canadian market for anhydrous and aqua ammonia—the plant being situated at Toronto—was purchased, and it is hoped will prove a profitable enterprise.

The Canadian Salt Company Limited

As at November 26th, 1928, The Canadian Salt Company Limited—with plant at Sandwich, Ontario—was purchased, and this gives your Company a commanding position in salt and also in its derivative products such as liquid chlorine, caustic soda, etc.

The Grasselli Chemical Company Limited

As at December 1st, 1928, your Company acquired the assets of The Grasselli Chemical Company, Limited, which—in addition to its acid manufacturing plant at Hamilton—provides us with the necessary heavy chemical selling organization.

INVESTMENTS

In order to provide funds for the rapidly expanding operating activities of your Company as outlined above, advantage was taken of the favorable market conditions obtaining to dispose of a portion of your Company's holding in General Motors stock. The profit arising from this operation accounts in the main for the increase in "Surplus" at the end of 1928 as compared with 1927. A substantial block of this stock is still retained by your Company.

The Canadian Safety Fuse Company, Limited, controlled by your Company, again enjoyed a very satisfactory year.

During the year, the Dunlop Rubber Company of England acquired from the Tyre Investment Trust of England the controlling stock interest in the Dunlop Tire and Rubber Goods Company Limited of Canada. Your Company holds a substantial minority common stock interest in the Dunlop Tire and Rubber Goods Company Limited of Canada, and it is felt that the new partnership association with a tire manufacturing company tends materially to improve the prospects for earnings from this investment.

As at December 31st, 1928, The Canadian Salt Company, Limited; The Grasselli Chemical Company, Limited; and The Triangle Chemical Company, Limited, are carried in the Balance Sheet as "Investments", but as from January 1st, 1929, the accounts of these companies will be consolidated with those of your Company's regular operating divisions.

The management continues to be supported by a loyal and efficient staff, to whom great credit is due under the particularly strenuous conditions which are bound to obtain during the present period of rapid expansion.

Respectfully submitted on behalf of the Board of Directors,

WILLIAM McMASTER,
Chairman of the Board.

CONSOLIDATED BALANCE SHEET

DECEMBER 31st, 1928

ASSETS

CURRENT:

Cash.....	\$ 349,344.86
Bills and Accounts Receivable.....	1,552,387.40
Inventories.....	3,151,937.03
Marketable Securities and Call Loans.....	13,817,341.40
Welfare: Trusted Stock.....	1,589,490.81
Deferred Debit Items.....	74,642.80
Total Current Assets.....	<u>\$ 20,535,144.30</u>

FIXED:

Plants, Properties and Goodwill.....	\$11,838,382.32
Securities held for Investment.....	8,493,780.00
Total Fixed Assets.....	<u>\$20,332,162.32</u>
Total Assets.....	<u><u>\$40,867,306.62</u></u>

LIABILITIES

CURRENT:

Accounts and Bills Payable.....	\$ 723,881.61
Federal Taxes.....	346,318.83
Dividends Declared.....	1,235,524.50
Deferred Credit Items.....	199,333.15
Total Current Liabilities.....	<u>\$ 2,505,058.09</u>

RESERVES:

Depreciation, Accidents, Pensions, Bad Debts, etc.....	<u>\$ 5,517,689.55</u>
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CAPITAL STOCK AND SURPLUS:

Preferred (7% Cumulative) Outstanding.....	\$ 4,550,000.00
Authorized... 75,000 shares. Issued... 46,500 shares.	
Common (No Par Value) Outstanding.....	\$11,233,536.66
Class A Voting	Class B Non-Voting
Authorized... 660,000 shares	690,000 shares
Issued..... 622,574	36,940
Surplus.....	\$13,931,022.32
Total Capital Stock and Surplus.....	<u>\$32,844,558.98</u>
TOTAL LIABILITIES.....	<u><u>\$40,867,306.62</u></u>

CONSOLIDATED INCOME AND SURPLUS ACCOUNT

	Income from:—			Total
	Operations	Investments	Realization of Assets	
Surplus as at January 1, 1928.....	\$ 687,632.17	\$ 689,318.10	\$ 4,407,952.18	\$5,784,902.45
Net Earnings during 1928.....	2,713,414.94	1,333,432.73	10,415,152.20	14,461,999.87
Total.....	<u>\$3,401,047.11</u>	<u>\$2,022,750.83</u>	<u>\$14,823,104.38</u>	<u>\$20,246,902.32</u>

Less dividends paid or accrued:—

7% Preferred Stock.....	\$ 325,500.00	\$ —	\$ —	\$ 325,500.00
Common Stock.....	1,644,780.00	1,315,600.00	—	2,960,380.00
Total.....	<u>\$1,970,280.00</u>	<u>\$1,315,600.00</u>	<u>\$ —</u>	<u>\$3,285,880.00</u>
Surplus as at December 31, 1928.....	<u>\$1,430,767.11</u>	<u>\$ 707,150.83</u>	<u>\$14,823,104.38</u>	<u>\$16,961,022.32</u>

MONTREAL, 8th February, 1929.

*To the President and Shareholders,
Canadian Industries Limited,
Montreal.*

GENTLEMEN:

We have audited the books and accounts of the Canadian Industries Limited and Subsidiary Companies for the year ended 31st December, 1928.

The inventories of raw materials, goods in process, and finished materials have been certified to by one of your officials, and have been accepted by us as a correct basis for incorporation in the Consolidated Statement of your Company as at 31st December, 1928.

The Investment Securities have been inspected by us or duly accounted for. The aggregate market value of securities held on 31st December, 1928 was in excess of book value.

We certify that, in our opinion, the Consolidated Balance Sheet as at 31st December, 1928, signed by us, sets forth correctly the position of the Company as at that date, according to the explanations and information given to us, and as shown by the books of the Company, and the relative Income Account is a correct statement of the results from operations for the year ended at that date.

Respectfully submitted,

P. S. ROSS & SONS,
Chartered Accountants.

CANADIAN INDUSTRIES LIMITED

Subsidiary Companies

Canadian Explosives Limited

Commercial Explosives and Accessories.

Dominion Cartridge Company, Limited

Shot Shells, Metallic Cartridges and Primers; Railway Fusees and Signals; etc.

Canadian Fabrikoid Limited

Fabrikoid and Rubber Coated Fabrics (for use in place of leather); Tontine Window Shade Cloth; etc.

Flint Paint and Varnish Limited

Varnishes and Enamels; Oil Colors; Industrial Paints; "Duco" for Industrial and Household uses (Sole Canadian Manufacturers); etc.

Arlington Company of Canada, Limited

Pyralin Combs; Tooth Brushes; Toiletware; Cleanable Collars.

Canadian Ammonia Company, Limited

Anhydrous Ammonia and Aqua Ammonia.

The Canadian Salt Company, Limited

Salt, Chlorine Products, Caustic Soda; etc.

The Grasselli Chemical Company, Limited

Acids and heavy chemicals

The Triangle Chemical Company, Limited

Superphosphates and Complete Fertilizers; Acids; etc.

